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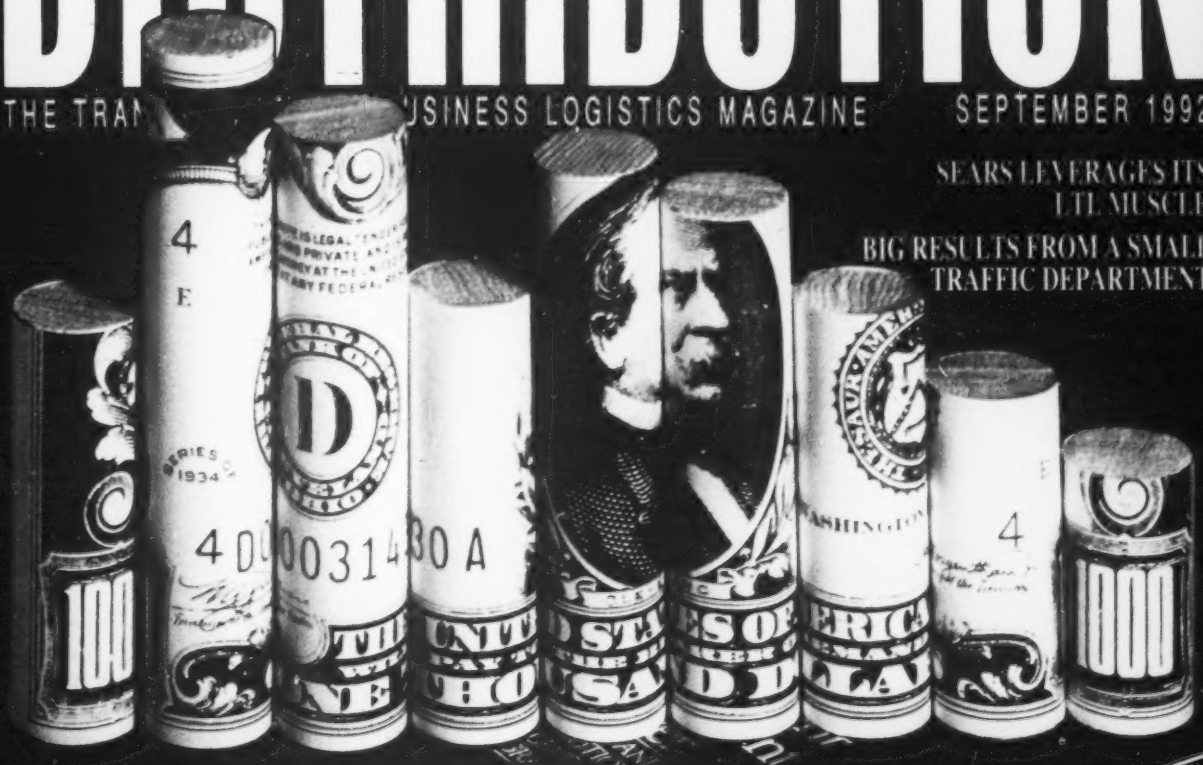
DISTRIBUTION

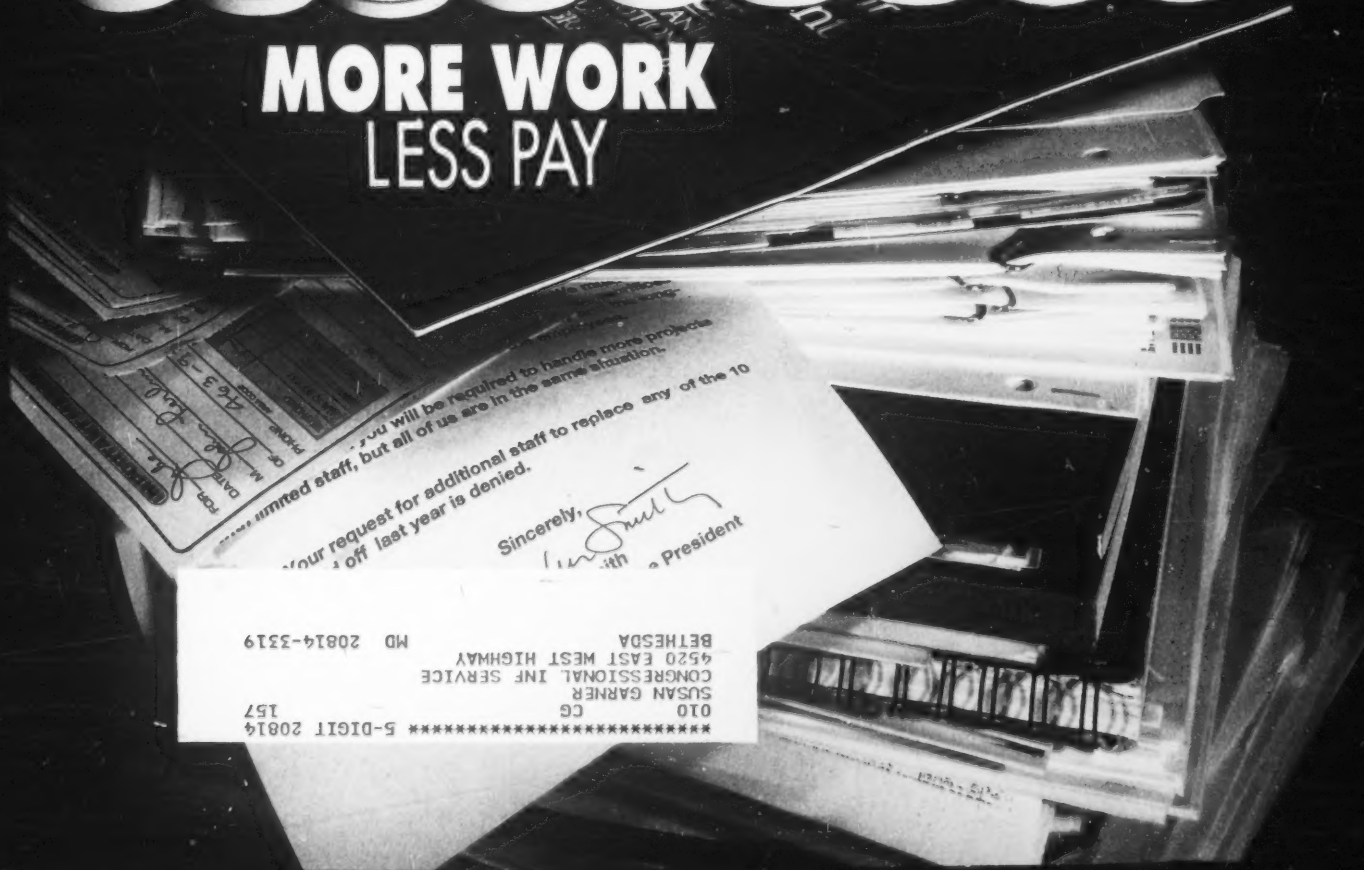
THE TRA USINESS LOGISTICS MAGAZINE SEPTEMBER 1992

SEARS LEVERAGES ITS LTL MUSCLE

BIG RESULTS FROM A SMALL TRAFFIC DEPARTMENT



MORE WORK LESS PAY


will be required to handle more projects
limited staff, but all of us are in the same situation.
our request for additional staff to replace any of the 10
off last year is denied.
Sincerely,
President
MD 20814-3319
BETHESDA
4520 EAST WEST HIGHWAY
CONGRESSIONAL INF SERVICE
SUSAN GARNER
010 CG 157
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DISTRIBUTION

THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE

SEPTEMBER 1992 VOL. 91, NO. 9

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Thomas A Foster, Esq

MORE THAN A NEW LOOK FOR DISTRIBUTION

DISTRIBUTION is listening, and you have told us what to address in our pages. This list includes career management, benchmarking, third-party services, technology and global logistics—just to name a few.

Continuous improvement is the cornerstone of the quality process, and we at DISTRIBUTION Magazine have taken this concept to heart. In fact, this issue marks a new milestone in our 91-year history of serving the shipper's information needs. We have redesigned our magazine to make it easier to read and more interesting graphically. But the redesign is only one aspect of a new DISTRIBUTION that will unfold in the months to come.

We have interviewed scores of readers like you during the past year to identify the critical issues you want us to address in DISTRIBUTION. Here is a small sample of the issues you have raised, along with a preview of several articles that we believe will help you perform better for your company and advance your logistics career.

What can I do to better manage my career?

We have a major feature in this issue that points out that logistics managers can expect to handle multiple job responsibilities. In the months to come, we will also look at the value of professional certification and advanced education, marketing yourself within your organization and alternative career-paths in the logistics industry.

How can we rapidly improve our logistics performance?

The most promising technique to improve performance is benchmarking, which consists of finding the best industry practices for a particular function and then applying them to your own operation. We have several articles in this issue highlighting best practices for transportation and warehousing operations. With the help of our readers and industry experts, we are identifying those companies with some of the best industry practices for a variety of logistics operations. We will profile these companies to help your benchmarking efforts.

What is the future of logistics outsourcing?

Third-party services are revolutionizing how companies handle their logistics. All levels of logistics management must learn how to adapt. We will report how and why shippers are outsourcing logistics functions, explain to logistics managers how to survive this trend, and keep you up to date on who the leading third party logistics vendors are.

Among the other issues we will address in the months to come are: How to use information technologies to cut costs and improve performance; how to use logistics to improve global competitiveness; how to cope with increased federal and state regulation; and many more.

To make sure we are succeeding in our quality process, we need your continuing input. DISTRIBUTION is devoted to meeting or exceeding your information needs. Let us know how we are doing.

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MORE WORK,

Your request for additional staff to replace any of the 10
people laid off last year is denied.
Sincerely,
John Smith
Executive Vice President

LESS PAY

It won't help pay this year's orthodontist or tuition bills, but take heart—stagnating salaries for logistics executives may signal the painful early stages of a progressive new management era that will eventually give the best of you a chance to grow.

It was just another run-of-the-mill personnel announcement. "Rod Brewer has been promoted to Vice President of Operations at Suregood Corporation, one of the nation's leading manufacturers of premium-quality prepared foods," it began.

"Prior to his promotion, Brewer served as Vice President of Manufacturing, overseeing Suregood's four plants in Michigan, Georgia, Texas and Utah," the announcement continued. "In his new position, Brewer will add to his responsibilities the areas of Engineering, Production Planning/Industrial Engineering, Value Analysis, Purchasing, Quality Assurance, Facilities and Capital Planning...and Distribution."

"Rod Brewer" and "Suregood" are fictitious names in the above example. But the remaining facts—including titles and all of the other entries—are exactly as they appeared in the actual announcement. As such, they provide an all-too-real representation of a pervasive management trend.

Survivors in today's hacked-up corporate jungle aren't just being asked to wear two hats—they're now balancing a whole shelf of fedoras. "Promotions" don't automatically lift you to cushy levels of executive luxury anymore—more likely, they just dump entire new loads of accountability into your lap. And distribution is no longer a specialty car that always merits distinct attention—all too often, it gets hooked instead onto a virtually endless string of boxcar responsibilities that really share only a single trait: Someone in the organization's got to do them all.

The "good news" is that situations such as the one reflected by the announcement about "Rod Brewer" and all that he now has to do may actually be evidence that the first stage of sweeping, positive change in U.S. organizational management is taking hold. Eventually, this change may lead to implementation of innovative, and far more effective, management approaches built around progressive concepts such as process orientations, horizontal structures, and integrated, team-based work design. From the individual's standpoint, the move to "tomorrow's organization" promises to offer new opportunities for financial rewards, job fulfillment, and career growth based on improved development and recognition of singular skills and contributions.

But to get to those highly desir-

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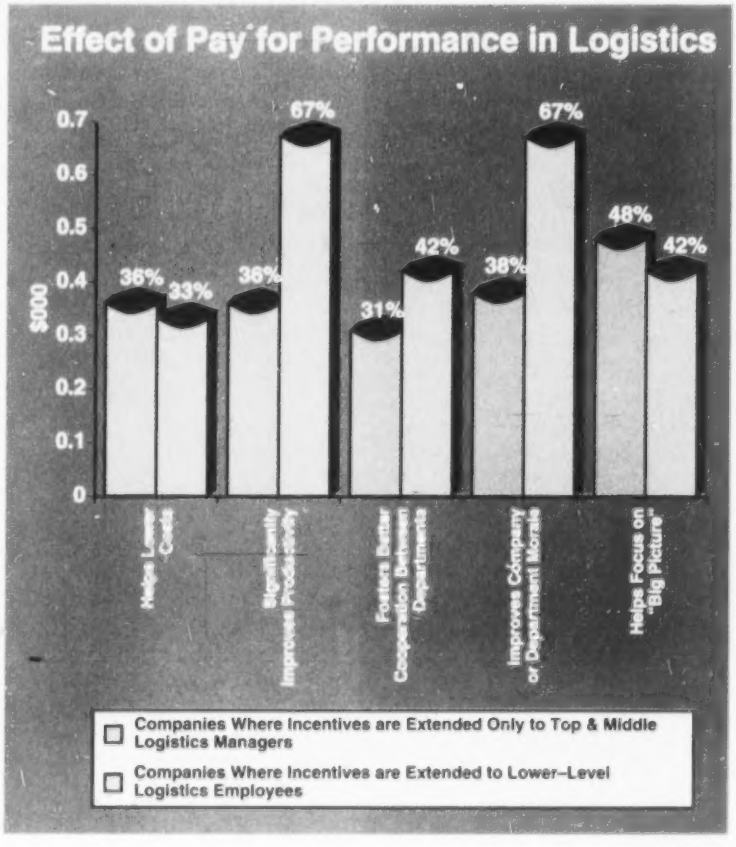
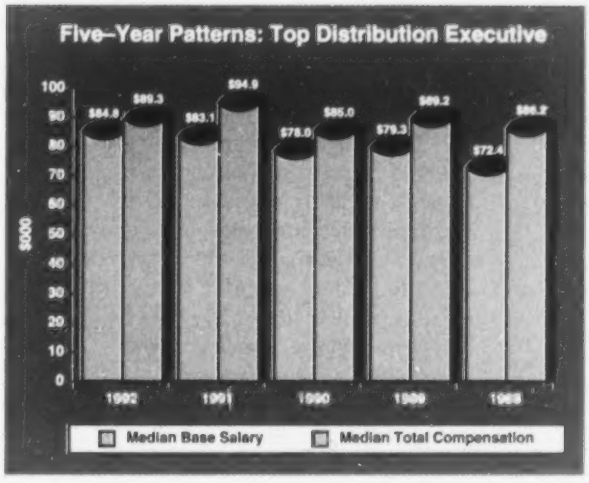


MORE WORK, LESS PAY

able stages, companies have to start with some major fat slashing. The onslaught of a major recession has only added to the urgency to get lean before getting keen—and, of course, has created "pile it on" scenarios at companies that are too focused on short-term survival to have any notion of eventually building more effective organizations.



Whatever the motivation, the implications for logistics and its related functions are clear: when those responsibilities are not being farmed out altogether, they're being lumped under broader umbrellas within the organization and put under the charge of managers whose overall duties are far more general and sweeping in nature. Specialists who work for these managers are also being asked to fold several previously distinct responsibilities, such as materials handling supervision or purchasing contract administration, into more swollen packages of wide-ranging duties.

And what do the loyal logistics troopers "get" in return for taking on these added burdens? As the obnoxious line goes that everyone's heard from a sneering supervisor, they "get" to keep a job. Certainly, the flattened salary and bonus picture reflected by the charts appearing throughout this logistics pay report fail to indicate any commensurate increase in compensation, even as the job descriptions for each level measured in the Mercer survey continue to expand.

And reports from the front lines confirm that "more work, less pay" really is the short-term tenor of the times in the logistics arena. "We keep hearing a lot about great pro-

continued

ABOUT THE MERCER COMPENSATION SURVEY

The 1992 Materials and Logistics Management Compensation Survey, from which this report is drawn, was conducted in the first quarter of 1992 by William M. Mercer, Inc., a leading compensation, benefits and human resources consulting firm. Survey data reflects salary levels as of January 1, 1992, and bonuses that were paid out for the most recently completed fiscal year at the time the survey was completed.

Participants in 1992 included 180 organizations reporting data on logistics job holders in 364 U.S. locations. These companies constitute a representative sample of various small, medium-sized and large companies, as measured by gross sales and dollar volumes purchased for each.

For example, 12 percent of the responding firms had gross sales of less than $10 million; 22 percent had sales of $10 million to $50 million; 13 percent had sales of $50 million to $100 million; 33 percent had sales of $100 million to $500 million; 11 percent had sales of $500 million to $1 billion; and 9 percent had sales of over $1 billion. Also, 27 percent of the respondents had purchase volumes of less than $10 million; 28 percent had volumes of $10 million to $50 million; 15 percent had volumes of $50 million to $100 million; 26 percent had volumes of $100 million to $1 billion; and 4 percent had purchase volumes of over $1 billion.

The full survey, now in its 12th year, breaks out compensation data by industry, annual sales, type of operation and geographic location. Information is also provided on salary administration practices and employee benefit programs offered by survey participants. Copies of the full survey report are available for $225 to participating organizations and $450 to non-participants. "Custom cuts" of the data (for selected industries, locations, etc.) are also available for $200.

For more survey information, write to William M. Mercer, Inc., National Survey Group, 1417 Lake Cook Rd., Deerfield, IL 60015, or call (800) 333-3070.

MORE WORK, LESS PAY

TRANSPORTATION MANAGER

Responsible for movement of material from all production facilities in a corporation with over $100 million in sales. Supervises other traffic managers or specialists. Typically reports to the top distribution executive at the corporate level.

	Salary	Total (including bonus)
10th Percentile	$40.9	$41.2
50th Percentile	58.8	59.1
90th Percentile	94.7	105.3

UNIT TRANSPORTATION MANAGER

Responsible for movement of material from production facility, including shipments to domestic and international customers and to plants within the company. May supervise other traffic managers. Typically reports to the distribution manager.

	Salary	Total (including bonus)
10th Percentile	$34.3	$35.7
50th Percentile	43.2	44.4
90th Percentile	56.7	57.6

OUTBOUND TRANSPORTATION MANAGER

Responsible for shipping of final or in-process products as well as timely reporting of completed shipments. Handles tracking and claims, routing and carrier selection. Typically reports to the distribution manager.

	Salary	Total (including bonus)
10th Percentile	$20.5	$21.0
50th Percentile	25.5	26.4
90th Percentile	39.1	40.4

grams that are coming down the pipeline, and great new approaches to structuring the organization that will let us all work better together and make our lives here more stimulating," says a veteran transportation manager at one major industrial firm. "And it's true, there are some interesting new concepts that are percolating.

"In the meantime, though," he adds, "we're all scrambling down here in the trenches to pick up the pieces left by people who are no longer here." (This particular firm has seen over 10,000 total layoffs since the start of 1991; the transportation manager says that his department has been "decimated.")

"And, no, I can't say I've seen a lot of extra numbers in either my regular paycheck or my bonus check to 'compensate' me for all the extra things I've taken on," the transportation manager laughs. "But I'm really not in any position to squawk about it. For now, the operative philosophy here is clearly 'Keep your head low.' "

Out of the box?

There may be a silver lining, though, for logistics pros who now find themselves buried in a stack of printouts and post-it notes during their extended workdays.

Logistics has long been populated with professionals who have expressed an eagerness for the opportunity to demonstrate a broader range of skills and break out of what they feel is an unfairly restrictive "specialist" mold. Those who can survive the short-term Sturm und Drang may indeed be given just that chance—if their employers prove serious about reshaping their streamlined ranks into more effective organizations after the shelling has ceased, and if

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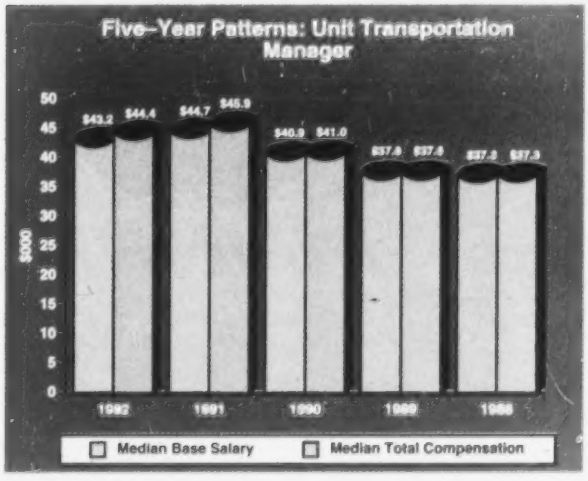

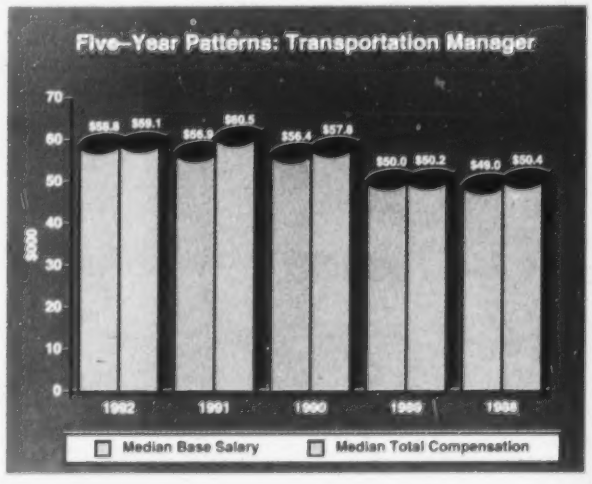

MORE WORK, LESS PAY

TOP MATERIALS MANAGEMENT EXECUTIVE

Responsible for all materials management functions, including production planning, distribution and purchasing. Reports to corporate manufacturing, operations or other top level officer. Supervises over 100 employees through subordinates.

	Salary	Total (including bonus)
10th Percentile	$69.1	$69.9
50th Percentile	93.5	104.0
90th Percentile	158.5	207.7

TOP DISTRIBUTION EXECUTIVE

Top distribution position in a corporation with over $100 million in sales. Responsible for shipping/receiving, traffic, field warehousing, and customer order processing. Reports to the top materials management executive at the corporate level.

	Salary	Total (including bonus)
10th Percentile	$56.8	$57.5
50th Percentile	84.8	89.3
90th Percentile	141.8	175.6

new pay concepts that focus on skill development, "competencies" and the replacement of traditional salary grades with less-rigid "bands" (see box, p. 38) take hold.

Bruce Spiegal, a principal in the Philadelphia office of William M. Mercer, Inc., feels skill-based pay may be right up frustrated logisticians' alleys. "Where the traditional, job content-based pay tended to try to cram people into pre-determined boxes," Spiegal notes, "the new plans are being shaped around people and their individual skills and development. This gives people a chance to grow more into different jobs. It also does away with highly detailed job descriptions and their subtle differences"—descriptions that often form the basis of pay scales and serve to shut out logistics managers who can't easily acquire the added accountability or know-how needed to move into higher pay ranges.

In a skill-based environment, Spiegal notes, organizations can be far more flexible in both who and how they can reward. "It allows an organization to reexamine its reward system, and return back to placing a value on people," he notes. "It gets away from artificial elements—tenure, hierarchies, titles—that tend to prevent an organization from determining what individuals and teams really do contribute to the company's overall performance. It moves away from a focus on functions and towards a focus on the processes that lead to rewards for the entire organization."

But Spiegal cautions that the skill-based movement will only be a boon to those logistics pros who are prepared to show their real mettle once given the opportunity. Spiegal notes, "Organizations may be letting people out of boxes, but they're also asking you, once you're out of that box, to do more for your pay than in the past. If you're not willing to wear several hats and spread yourself out so you can provide the value that organizations are now looking for, you'll be worth just the same amount, or less."

Added value on productivity

Results from this year's survey question about the type of pay-for-performance measures now being used (see p. 29) to provide some clues about the logistics-related values that organizations now hold dearest. The values placed on fairly narrow measures such as adherence to transportation budgets or inventory levels have actually decreased from readings taken in 1991 (transportation budget adherence slipped from a 55 percent affirmative reading to 53 percent, and inventory levels from 61 percent to 58 percent). Other measures such as adherence to stated customer service requirements (up from 64 percent affirmative to 69 percent) and work force productivity (up from 69 percent to 76 percent) have seen their stock rise significantly, however. In addition, a new measure that was gauged for the first time in the 1992 survey—adherence to quality process objec-

continued

MORE WORK, LESS PAY

tives—is being used in the pay-for-performance plans of 73 percent of the logistics departments that were surveyed.

As the large weight being assigned to work force productivity attests, new pay movements put important new spotlights on logistics professionals in terms of their own management abilities, in addition to what they will be expected to show in the way of their own value-added contributions. "When there was more structure, you really didn't have to manage," notes Spiegal. "Now, management skills—be it for production-oriented distribution centers or team-based logistics projects—are at a premium."

An adjunct to this year's survey revealed another key to effectively managing the logistics process in the new, restructured environment. When incentives are not extended to all who are involved in the process, productivity improvement is significantly lower than when all team members have a chance to share the payoff. Morale also receives a big boost when incentives are pervasive, and cooperation between logistics and other key processes within an organization improves.

Looking specifically at the data from the last Mercer survey, 1992 figures for both base salaries and total compensation show a general trend of flatness for the seven key logistics-related positions (see type charts).

TOP PURCHASING EXECUTIVE

Purchasing position in a corporation with over $100 million in sales. Responsible for purchase of raw materials, component parts, equipment, services and supplies. Reports to the top materials management executive at the corporate level.

	Salary	Total (including bonus)
10th Percentile	$55.9	$56.4
50th Percentile	81.5	86.5
90th Percentile	113.7	141.1

PURCHASING MANAGER

Top purchasing position at the unit level. Responsible for purchasing of raw materials, component parts, equipment, services, and supplies. Reports to the materials management executive.

	Salary	Total (including bonus)
10th Percentile	$41.3	$42.5
50th Percentile	56.9	59.2
90th Percentile	73.3	75.0

Remembering that year-to-year comparisons must be approached carefully because of shifts in the survey base, pertinent trends can still be identified. Median base salaries declined in three of the seven positions charted.

Even more telling were the precipitous declines shown in total case compensation for many positions. In only one case, in fact—again, the materials management manager position—was an increase in median total compensation posted from 1991 to 1992. Far more prevelant were declines such as the 10 percent drop in median total compensation shown for the top materials management executive, and the nearly 6 percent drop shown for the top purchasing executive. Clearly, there weren't many hefty bonus checks being cashed in

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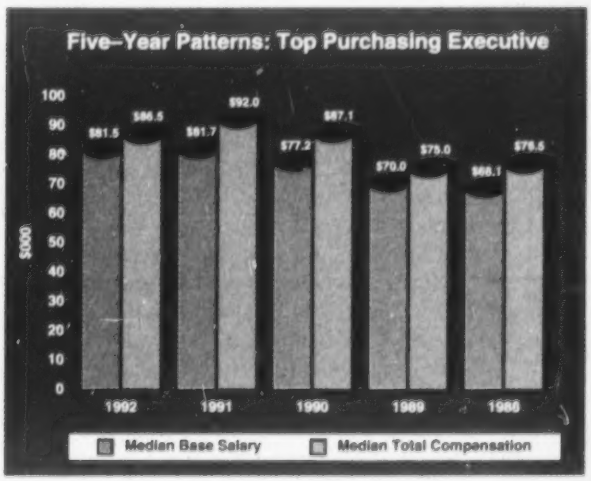


MORE WORK, LESS PAY

the logistics department at the end of the last year.

Even with the ground that was lost last year, from a five-year perspective logistics professionals can be seen to be making progress, but it hasn't exactly been of the fast-track variety. Comparing Mercer survey numbers from 1988 to those of 1992, the top distribution executive, for example, has posted a 17.4 percent increase in base salary, but only a 3.6 percent boost in total compensation.

Other five-year performance "improvements" are as follows; top materials mangement executive, up 23.0 percent in base salary, and up 16.46 percent in total compensation; top purchasing executive, up 19.67 percent and 13.07 percent; transportation manager, up 20 percent and 17.26 percent; unit transportation manager, up 15.81 percent and 19.03 percent; purchasing manager, up 17.56 percent and 20.32 percent.

ARE YOU READY TO PLAY IN THE BAND?

The latest rage to hit the world of organizational design and pay planning is "banding." It's already been introduced in a big way in organizations such as General Electric and Northern Telecom, and many other companies are hurrying to "join the band."

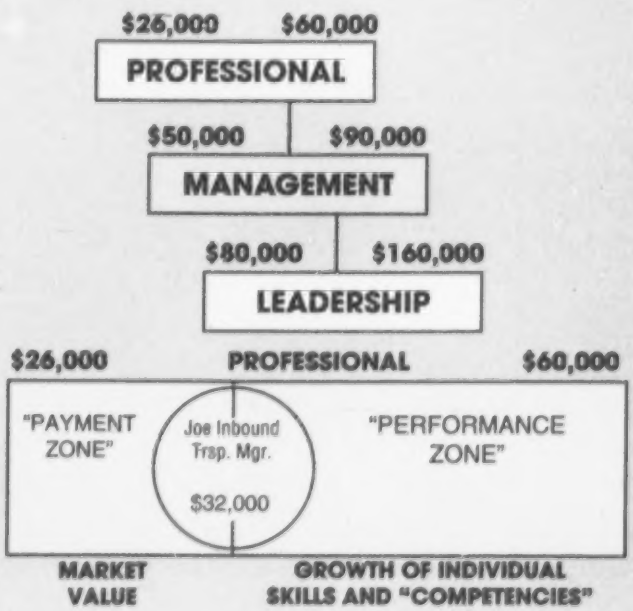
Used properly, banding could enhance the opportunities for logistics professionals to increase their reach and recognition within an organization and achieve pay levels that are more in line with their individual contributions. Used improperly, banding promises to become another way for top management to "justify," why logistics pay cannot improve to any great degree.

In its ideal form, banding is an attempt to focus more in individual growth, and to pay more for the person than for the position. It establishes broad salary ranges for a series of job groupings, and then plots pay for specific people within those ranges, by drawing on both market conditions and individual assessments of a person's performance and growth in the job.

The good news about banding, is that it would do away with a lot of the mysterious control elements that have been tied to salary planning in the past ("midpoints," "compa-ratios," etc.) and make it easier for shining stars to break out of any boxes or administrative traps that have kept them artificially suppressed. The bad news is that the proposed replacements for these control elements—trying to measure desired individual "competencies," for example—have the potential to be just as frustrating or damaging if they are not kept simple and objective.

To date, some companies have taken a very simplistic approach to banding, and are basically using the concept to put a new look on existing salary grades. Others have taken far more radical approaches—General Electric, for example, found a way to put all of the people in its huge organization into just five bands.

Ultimately, banding promises to work best in company cultures that support a more person-centered approach to pay and view "jobs" as merely the stages or platforms upon which individuals perform.



HOW TO
BENCHMARK WAREHOUSE OPERATIONS

Benchmarking is *the* hot subject for warehouse managers eager to improve their performance. A study by Georgia Tech is a major step for U.S. companies trying to understand their operations.

Ask yourself a few simple questions about your warehouse operations. Do you know how fast your workers can pick? How long does it take to complete an average order? How about the time and costs of restocking?

If you are like most warehouse managers, you have little hard data on any of your warehouse operations. Even if you did, you really wouldn't know if this performance is good or bad, since warehousing performance benchmarks have been few and far between, at least until recently.

Dr. Ed Frazelle, director of the Logistics Institute at the Georgia Institute of Technology, recently conducted a performance survey of more than 100 warehouses operated by 30 companies in 20 different industries.

The survey looked at performance measurements for a number of warehouse activities (see tables). Frazelle's team then devised a system that divided warehouse performance into five groups with the following ratings:

Rating No.	Performance Category
1	Needs Improvement
2	Sub-Par
3	Par
4	Superior
5	World Class

The verbal descriptions and the performance ratings are subjectively based on the judgment of Frazelle and his team of researchers.

Warehouses measured in the Georgia Tech study ranged in size from 40,000 square feet to over a million square feet. Exactly half of the facilities fell into the category of 100 to 250,000 square feet. Only 10 percent of the warehouses were in the million-square-feet-plus range.

However, Dr. Steve Hackman of Georgia Tech explained while presenting the survey results at a Warehouse Education and Research Council

continued

Facility Size

Facility Size (000s FT2)	Rating	% Operations in Rating
1,000 +	5	10
500-1,000	4	15
250-500	3	15
100-250	2	50
<100	1	5

Largest: 2,000,000 Sq. Ft.
Smallest: 40,000 Sq. Ft.

SKU Activity

Annual Lines Shipped per SKU	Rating	% Operations in Rating
400 +	Hyper-Active	15
250-400	Fast	15
100-250	Active	35
50-100	Slow	20
<50	Barely Alive	15

Highest: 887
Lowest: 8

Level of Automation

$ per Square Foot	Rating	% Operations in Rating
<$5	5	35
$5-$10	4	35
$10-$15	3	10
$15-$20	2	10
$20+	1	10

Highest: $25/sq. ft.
Lowest: $1/sq. ft.

seminar, being bigger is not always better. "It is harder to make large facilities efficient because communication becomes more difficult, travel distances can be excessive, and supervision becomes difficult," says Hackman.

Annual lines shipped for each SKU at the warehouses in the survey ranged from a low of eight (which Frazelle classified as "barely moving") to nearly 900. A facility that shipped more than 400 lines per SKU was considered "hyperactive."

Hackman cautions that this measurement alone is not a terrific indicator of efficiency because a line equals one line on an order. There is no distinction between a line with 30 cases and a line with one case.

"Efficiency is a total measure of how well you use warehouse resources including space, people and equipment to achieve a particular throughput," says Hackman.

The level of automation in the warehouses survey was measured by investment in material handling equipment divided by the number of square feet in the facility. The range was enormous—from a low of less than $1 per square foot to a high of $25 per square foot. Only 20 percent of the warehouses were judged to be in need of improvement and sub-par. Fully 70 percent were rated superior or world class.

One of the most important benchmarks in the study was number of lines picked per person hour, which is a key productivity measurement for pick-and-pack or broken-case operations. This measurement was calculated by taking the total lines shipped each year and dividing this figure by the total annual hours for all personnel involved in the picking operation to include operators, supervisors, managers and maintenance personnel. The benchmarks ranged from 1.6 to 60 lines per person hour with 65 percent of the warehouses reporting sub-par or needs-improvement ratings. Only 5 percent of the warehouses were judged to be world-class.

The corresponding benchmark for pallet-load operations is number of cases picked per person hour. This measurement is calculated by taking

continued

Lines per Person-Hour

Lines Shipped per Hour	Rating	% Operations in Rating
50+	5	5
20-50	4	5
10-20	3	25
5-10	2	50
<5	1	15

Highest: 60 LPH
Lowest: 1.6 LPH

Cases per Person-Hour

Cases Picked per Hour	Rating	% Operations in Rating
250 +	5	10
100-250	4	30
50-100	3	15
25-50	2	20
8-25	1	25

Highest: 353 CPH
Lowest: 8.4 CPH

Picking Accuracy

% Inaccurate Lines	Rating	% Operations in Rating
<.01	5	5
0.01-0.1	4	25
0.1-0.5	3	25
0.5-1.0	2	25
1.0-5.0	1	15

Best: 0%
Worst: 11%

the total number of cases shipped and dividing it by the total labor hours tallied by the order pickers. Again, the range was extremely broad—from a low of 8.4 to over 350 cases per person-hour. Only 45 percent of the warehouses were rated as sub-par or in need of improvement, and 40 percent were judged to be superior or world-class.

Picking accuracy is another crucial measure of warehouse operations. The average number of picking errors reported was just 1 percent. The worst performance was an 11 percent error rate. The best performance was a zero percent error rate.

Inventory accuracy, which is measured by the percent of items found in error, is important in that it tracks most of the time wasted by order pickers. Surprisingly, many of the warehouses in the survey did not know their error rate. The worst performance was 20 percent. The best was zero percent error.

The survey also looked at how fast new inventory is stored in the warehouse. The range for "dock-to-stock" time was from a slow 96 hours to only 30 minutes. Only 15 percent of the warehouses reported a world-class stocking time of less than two hours. One half reported stocking time of just under 24 hours, which were considered sub-par. Five percent reported that restocking took more than 24 hours.

Order cycle time was defined as the time it takes to complete an order from the moment picking begins. The worst order cycle time was 96 hours and the best was half an hour. The largest group (35 percent) reported that orders were handled the same day they were received, which was considered par. World-class warehouses, which were able to handle orders in less than one hour, accounted for 15 percent of the total. Thirty percent of the warehouses said it took one day or more to handle an order, which was considered sub-par or needs improvement.

Dr. Frazelle will be conducting a two-day benchmarking seminar on November 16-17, 1992 at Georgia Tech's Logistics Institute. For more information, call (404) 894-2343.

Inventory Accuracy

% Items in Error	Rating	% Operations in Rating
<.05	5	5
0.05-0.5	4	25
0.5-1.0	3	25
1.0-5.0	2	25
5.0 +	1	15

Best: 0%
Worst: 20%

Dock-to-Stock Time

Dock-to-Time (1)	Rating	% Operations in Rating
<2 hours	5	10
2-8 hours	4	15
Same Day	3	15
Next Day	2	50
Next Day +	1	5

Best: 0.5 hours
Worst: 96 hours

Internal Order Cycle Time

Order Cycle Time (1)	Rating	% Operations in Rating
<4 hours	5	15
4-12	4	20
Same Day	3	35
Next Day	2	20
Next Day +	1	10

Best: 0.5 hours
Worst: 96 hours

FREIGHT FORWARDER COUNCIL OF AMERICA SPEAKS UP

There are three fundamental misstatements in your recent article (June, 1992) Forwarders vs. Brokers that need to be addressed.

1. In regard to Mr. Tucker's statement on the shippers potential for being double billed on freight charges when using a broker as "...simply not correct." It is the statement of Mr. Tucker that is simply not correct. If a shipper pays a freight forwarder, he has paid the carrier, and he can not be pursued for freight charges. If a shipper pays a broker, the shipper must prove that the broker acted as the carrier's agent (which is not easy to do). Unless he can prove that the broker was the agent for the carrier, the shipper is liable to pay the freight charges. Mr. Tucker can cite no relevant case law to support his position, and when challenged to a debate on this issue, refused to respond. I attach the case law supporting our position for your information, and the benefit of your readers.

2. The shipper, Mr. Curly Lane, believed that he was protected from undercharge claims because of "...the contract he had inked with the broker." It is dangerous to foster a belief among shippers that any shipper-broker contract can protect them from 'balance due' bills. This is simply not the case. If the broker is dealing with a common carrier, he must pay the carrier's ICC filed tariff rate. If the broker is dealing with a contract carrier, he must have a valid contract. A forwarder, on the other hand, may contract with both common or contract carriers (Title 49 U.S.C. 10766) without restrictions. Therefore, it is not a contract that protects the shipper, it is with whom they are dealing.

3. In regard to the statement: "By strict legal definition, a forwarder is required to consolidate shipments. However, if the bulk of a forwarder's business is TL, the ICC in most cases considers it an illegal broker." Freight forwarding is defined in Title 49 U.S.C. 10102. The definitions are provided by Congress, not the ICC. When read, the statute clearly shows that these services must be performed or offered. There is absolutely no requirement that a majority, or certain percentage of LTL freight is necessary in order to qualify as a forwarder. Moreover, as you pointed out in your article, freight forwarding was deregulated by Congress in 1986; the ICC has no authority over deregulated freight forwarders.

In this article, the brokers have successfully managed to blow an enormous amount of smoke that may have clouded the very tangible benefits to shippers of using freight forwarders. However, anyone interested in comparing and contrasting the two, will be best served by reading the law, not listening to the self-serving posturing of Mr. Tucker, Mr. Lamboley, et al.

The Freight Forwarders Council would also request that the following statements of fact be mentioned:

1. The name of the organization is the Freight Forwarder Council of America, not the Freight Forwarders Association.

2. Mr. Michael Solomon is not the President of the FFCA, as represented.

3. Mr. Robert J. Gallagher is not the former "legal counsel" of the TBCA; Mr. Gallagher was the General Counsel of TBCA until he resigned to form the FFCA. Mr. Gallagher was the founder and organizer of the TBCA, and had served as General Counsel since its inception.

We feel it is critical that these inaccuracies be corrected. Thank you very much for your attention, and your prompt response to our concerns.

Paulie Engel
Executive Director
Freight Forwarders Council
of America
Northampton, MA

Editor: We apologize for misidentifying your organization, and any misidentification of your officers. Our reporter goofed. As for our supposed misstatements, we reported the positions of a prominent broker and other people who question the legality of certain activities and practices of freight forwarders. Your comments in this letter present your positions, and we are happy to present them to our readers. However, we would take issue with your sweeping statement that freight forwarders, because they are deregulated, are beyond the jurisdiction of the ICC. That is correct when these entities act as true freight forwarders. In the event their activity becomes that of an unlicensed property broker, the ICC has every right to step in, and they have done so on several occasions.

CORRECTION FOR ROADWAY EXPRESS

The 1990 and 1991 operating ratios we published for Roadway Express on page 12 of our July issue were incorrect. We regret the error.

The correct operating ratios are as follows:

1991 O.R.	1990 O.R.
95.2	95.3

Roadway Express was the only national LTL carrier to show an improvement in operating ratio from 1990 to 1991.